Calendar No. 783

101ST CONGRESS
2d Session

SENATE

REPORT
101-429

FEDERAL HOSPITAL INSURANCE PRESERVATION ACT

REPORT

OF THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

TO ACCOMPANY

S. 3008

together with

ADDITIONAL AND MINORITY VIEWS

To exclude the Medicare Hospital Insurance Trust Fund from the budget for purpose of deficit calculations

AUGUST 4, 1990.—Ordered to be printed

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FEDERAL HOSPITAL INSURANCE PRESERVATION ACT

AUGUST 4, 1990.—Ordered to be printed

Mr. SASSER, from the Committee on the Budget, submitted the following

REPORT

[To accompany S. 3008]

S. 3008

A BILL To exclude the Federal Hospital Insurance Trust Fund from the deficit calculation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 2. EXCLUSION OF AMOUNTS PAID INTO TAXES TO THE FEDERAL HOSPITAL INSURANCE TRUST FUND FROM CALCULATING MAXIMUM DEFICIT AMOUNTS.

(a) Section 3 of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 622(6)) is amended by adding after the first sentence the following: "For purposes of calculating the deficit, for any fiscal year, the amounts paid into taxes deposited in the Federal Hospital Insurance Trust Fund under section 1818 of the Social Security Act and the disbursements from such fund shall not be included in the budget totals for such fiscal year."

I. SUMMARY OF THE LEGISLATION

On the motion of Senator Paul Simon, by a vote of 18 to 4, the Committee on the Budget ordered reported an original bill, called the "Federal Hospital Insurance Preservation Act", which amends the Congressional Budget Act of 1974 [1] to exclude the Medicare

[1] Congressional Budget and Impoundment Control Act of 1974, Pub. L. No. 93-344, 88 Stat. 297 (July 12, 1974) (codified as amended at 2 U.S.C. § 601-688) [hereinafter the Congressional Budget Act].

Hospital Insurance Trust Fund from the budget for purposes of deficit calculations.

II. Need for Legislation [2]

The Hospital Insurance Trust Fund (HI Trust Fund) [3] is a self-financing fund supported almost entirely by dedicated payroll taxes. For fiscal years through 1992, the disbursements and receipts of the HI Trust Fund are included in the totals of the budget. As a result, current HI Trust Fund surpluses serve to distort the true size of the deficit. Payroll taxes paid into the HI Trust Fund constitute a surplus which have reduced the deficit for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985,[4] better known as the Gramm-Rudman-Hollings law, by $5 billion in 1991 and $2 billion in 1992. This legislation precludes using the HI Trust Fund surplus to offset the deficit and thereby displaying more accurately the true size of the deficit.

III. Legislative History

In 1983, the Social Security Amendments provided that the Old-Age, Survivors, and Disability Insurance trust Fund (OASDI) would be excluded from consideration of the President's budget and the congressional budget for fiscal years after 1984. The law provided further that, effective for fiscal years after 1992, the HI Trust Funds would be excluded from budget totals.

Subsequently, Gramm-Rudman-Hollings in 1985 provided that, even though not included in the Congressional and President's budget, the OAS and DI Trust Funds should be included in the calculation of the deficit for Gramm-Rudman-Hollings purposes. Gramm-Rudman-Hollings did not, however, specify that the HI Trust Fund should be included in the calculation of the deficit for Gramm-Rudman-Hollings purposes in fiscal year 1993, when it was scheduled to come off-budget.

IV. Section Analysis

This Act may be cited as the "Federal Insurance Preservation Act". Section 1 excludes the amounts paid into taxes to the HI Trust Fund from calculating maximum deficit amounts. In essence, this section takes the HI Trust Fund off budget for purposes of calculating the deficit.

V. Roll-Call Vote in Committee

Senator Simon moved that the Committee report the Federal Hospital Insurance Preservation Act.

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[2] For further statements on the need for the legislation, see the Additional Views of Senator Simon.

[3] The Federal Hospital Insurance Trust Fund Act, Pub. L. 89-97, Title I, 79 Stat. 343 (July 30, 1965).

[4] The Balanced Budget and Emergency Deficit Control Act of 1985, Pub. L. No. 99-177, tit. II, 99 Stat. 1037, 1038 (Dec. 12, 1985), amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, Pub. L. No. 100-119, tit. I, 101 Stat. 754 (Sept. 29, 1987), and further amended (codified as amended at 2 U.S.C. §901-922 (1988) [hereinafter Gramm-Rudman-Hollings].

The Committee agreed to the Simon motion to report the Federal Hospital Insurance Preservation Act by a vote of 18 yeas, 4 nays.

YEAS	NAYS
Mr. Sasser	Mr. Robb
Mr. Hollings	Mr. Domenici*
Mr. Johnston*	Mr. Armstrong
Mr. Riegle*	Mr. Rudman*
Mr. Exon	
Mr. Lautenberg	
Mr. Simon	
Mr. Sanford	
Mr. Wirth	
Mr. Fowler*	
Mr. Conrad	
Mr. Dodd*	
Mr. Boschwitz	
Mr. Symms	
Mr. Grassley	
Mr. Kasten	
Mr. Nickles	
Mr. Bond	

*This vote was made by proxy.

VI. Joint Referral Under the Standing Order

The Committee on the Budget has jurisdiction over the matter in the Debt Ceiling Reform Act by virtue of the standing order on the referral of budget-process legislation into which the Senate entered on August 4, 1977. Upon the reporting of the Act, the Presiding Officer will refer it to the Committee on Governmental Affairs pursuant to the standing order, with instructions that the Committee on Governmental Affairs shall have 30 days to report or be discharged.

VII. Regulatory Impact

Paragraph 11(b)(1) of rule XXVI of the Standing Rules of the Senate requires that each report accompanying a bill evaluate "the regulatory impact which would be incurred in carrying out the bill." [5] The enactment of this legislation would not have significant regulatory impact.

VIII. Cost Estimate

U.S. Congress,
Congressional Budget Office,
Washington, DC, August 2, 1990.

Hon. Jim Sasser,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office (CBO) has examined the budgetary implications of a bill to remove taxes paid

[5] Standing Rules of the Senate Rule XXVI(11)(b)(1) (1990).

into and disbursements made from the Federal Hospital Insurance (HI) Trust Fund from the deficit calculation for the purposes of the Balanced Budget and Deficit Control Act (BBA) of 1985, as amended. The bill was ordered reported by the Senate Committee on the Budget on July 25, 1990.

The bill would have no direct impact on total federal revenues or federal outlays, but it would alter the deficit calculation in fiscal year 1991 and 1992 for the purposes of determining the amounts of automatic sequestration. The bill would not affect the sequestration calculation in 1993 because the activities of the Hospital Insurance Trust Fund are already excluded from all budget totals in 1993 and beyond. As shown in the table below, CBO currently projects a federal deficit of $164 billion in 1991, using the baseline projection specifications of the Balanced Budget Act and excluding the additional spending needs of the Resolution Trust Corporation. Because the BBA 1991 deficit target is $64 billion, a $100 billion sequester is implied. This legislation would increase the CBO BBA baseline deficit projection by $5 billion for 1991 and by $2 billion in 1992.

BBA BASELINE DEFICITS WITH AND WITHOUT HOSPITAL INSURANCE TAXES/DISBURSEMENTS

(By fiscal years; in billions of dollars)

	1991	1992
BBA baseline deficit	164	158
HI taxes less disbursements	5	2
Deficit under bill	169	160
BBA deficit targets	64	28

CBO has done a number of estimates of removing the HI trust fund from the deficit calculations. These earlier estimates have been based upon removing total HI receipts—including taxes, premiums, interest payments, certain intragovernmental contributions, transfers and outlays—from the calculation. Because the estimated nontax receipts of the HI trust fund total $12 billion in 1991 and $13 billion in 1992, removing all Hospital Insurance receipts and outlays would increase the remaining deficit by $18 billion in 1991 and $15 billion in 1992. The estimated effects of this bill differ from the previous estimates because this bill would eliminate only HI taxes and outlays from the deficit calculation.

If you wish further details, we will be pleased to provide them. The CBO staff contact is Alan Fairbank (226-2820).

Sincerely,

ROBERT D. REISCHAUER,
Director.

IX. Additional and Minority Views

ADDITIONAL VIEWS OF MR. SIMON

I am an original cosponsor of Senator Holling's bill to remove Social Security off budget, and I think we ought to treat the Hospital Insurance Trust Fund (HI Trust Fund) precisely the same way. The HI Trust Fund is, after all, one of the trust funds that make up Social Security and is financed almost completely by dedicated payroll taxes.

The use of the HI Trust Fund surplus, currently $16.7 billion, to offset spending in the other areas of the budget adds to the regressive nature of our whole system. It is also a misuse of funds at a time when medical services are declining in our inner city and rural area. In the interest of honesty and fairness, we ought to stop using the HI Trust fund to offset the deficit.

Paul Simon.

MINORITY VIEWS OF MR. DOMENICI

Senator Simon's legislation would remove the Federal Hospital Insurance Trust Fund from the deficit calculation.

I do not believe taht all the arguments for removing the Social Security trust funds from the Budget and from the calculation of the deficit apply to removing the Medicare Part A (Hospital Insurance) Trust Fund. Unlike social security, the Part A Trust Fund is actuarially unsound and its removal would reduce pressure to address its financing problems. Its financing problems are part of a larger Medicare cost problem and splitting out Part A from other parts of Medicare would isolate it from the solution.

Social Security is a stable program and nearly everyone supports the basic program the way it is structured today. The Reform Package of 1983 put social security on a sound footing over the long run.

Medicare is in an opposite situation. Few are happy with Medicare as it is today. The Medicare Part A Trust Fund is projected to become insolvent by the turn of the century and major changes are necessary in the Medicare program.

Medicare is only part of a growing crisis of costs and access to health care in this country. Medicare is part of the problem and must be part of the solution and we should not isolate it from the rest of Federal health and health care programs.

Medicare Part A is only part of the Medicare program. Part B is funded with beneficiary premiums and general revenues and cannot be taken off budget. It makes no sense to further separate the Medicare program so that part of it is on budget and part of it is off.

The procedural protections that argue for removing social security from the budget make little sense for a Medicare program that requires major changes, perhaps a complete overhaul.

PETE V. DOMENICI.

X. Changes in Existing Law

Pursuant to paragraph 12 of rule XXVI of the Standing rules of the Senate, this section displays changes to existing law made by the act. Existing law that would strike appears in strikeout type, new material in italic, and existing law to which the act makes no changes appears in roman type.

For purposes of calculating the deficit, for any fiscal year, the amounts paid into taxes deposited in the Federal Hospital Insurance Trust Fund under section 1818 of the Social Security Act and the disbursements from such fund shall not be included in the budget totals for such fiscal year.

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